Wealth Markets and Commerce

Finance - Economics

WALL STREET OFFICE:
Mills Building, 15 Broad St.

Telephone:
Hanover 6514

Thursday, March 22, 1917

As far as private underwriters are concerned the war risk insurance business will probably soon be a thing of the past. The open market rate on vessel and cargo passing through the barred zone now averages, as it has for some time past, 10 per cent; the government War Risk Insurance Bureau is writing at 3 per cent. Consequently, the volume of business handled by the bureau has expanded greatly, while the amount written through the regular channels has diminished rapidly, it being impossible for private companies to meet the government's rate. There is, however, a considerable amount of business still being handled in the open market. The government is writing a maximum of $1,250,000 on any single cargo and hull, and will not insure vessels carrying arms and ammunition. All of the latter business is still transacted in the usual way, and since the average hull and cargo are worth at least double the government's maximum, the surplus, too, is carried by private underwriters, some of it at rates much above that named. On one American ship which has an unusually valuable cargo, as much as 21 per cent was paid to insure a part of the surplus above the government's limit.

It is believed, however, that as soon as the anticipated declaration of a state of war is made, the War Risk Bureau will immediately remove all restrictions as to amount and character of cargo, and when that is done the market will automatically come to an end. Until recently, the government has taken only preferred risks, and has refused to insure vessels carrying contraband. Therefore, it has made a handsome profit to date, about $3,000,000. Writing unrestrictedly at 3 per cent, the same rate as is maintained by the British government, it is practically certain to lose a great deal of money if German submarine activity continues. In spite of that, and notwithstanding the fact that they will lose a source of much profit, underwriters say that it is necessary in the interests of our export trade for the government to take over the business and provide adequate insurance at reasonable rates.

The British government has provided a greater proportion of its war expenditure out of taxes than any of the other belligerents. The amount raised by taxation in the fiscal year which ends with the last day of this month will, it is estimated, be in the neighborhood of $2,500,000,000. That is an increase over the last year of peace of about $1,600,000,000. The increase for the entire period from August 1, 1914, to March 31, 1917, will be approximately $2,700,000,000, which may be taken as representing the net amount raised by taxes toward defraying the cost of war. Great Britain has borrowed about $19,500,000,000 for war purposes. Contrasted with this huge sum, the part played by taxation in war finance does not appear to be imposing. The tax revenue equals less than 14 per cent of the war borrowing and under 13 per cent of the total cost of the war to Britain. In the Napoleonic and Crimean wars 47 per cent of the cost was paid out of taxes. When it is considered that interest on the British war debt will soon be in the neighborhood of a billion dollars a year, the necessity of a further increase in taxation is apparent.

The best opinion in England favors the adoption of a more extensive tax programme. "The London Economist," for example, in its issue of March 3, says:

> It will be disastrous to our finance if the great success of the loan encourages the Chancellor to continue along the primrose path of borrowing and to neglect the sounder method of paying for war by taxation. The loan has shown him how great our financial resources are if they are husbanded. The way to husband them, so that we can go on with the war for years if necessary, is to take more of people's money and borrow less of it, so that consumption may be forcibly reduced, and all the nation's energy may be devoted to the war and to financing it abroad by exports. If this can be done, and if the very overdue supervision of government spending can be made effective, we can go on with the war "till further notice," and we shall emerge from it with much less anxious fiscal problems to face.

"The Economist" points out that it is much easier to raise taxes in war time than in peace, and it may, moreover, be beneficial, especially as it is necessary to check the extravagance of those who do not heed the appeal made on patriotic grounds.

Elsewhere in Europe the proportion of the war's cost paid by taxation has been insignificant. In Germany, particularly, taxation has been avoided to as great an extent as possible. That may be due in part to the fact that the hope of exacting huge indemnities is still fostered. A recent issue of the "Cologne Gazette" gives for the first time an estimate of German expectation in that respect, when it says:

> The extent of our claims cannot be discussed here, but, in any case, we might well consider the idea that our enemies should pay us annually for a series of years from 5,000,000,000 marks ($1,250,000,000) to 6,000,000,000 marks ($1,500,000,000), and that they should pay it in the first years, while they also will be short of money, in raw materials, which would render us good service in the restoration of our economic system. In the later years they would pay in gold for the redemption of our debt.
>
> In any case, the war indemnity is the most pressing demand which we shall have to make at the conclusion of peace. It will carry us over the period of stagnation which otherwise awaits us, and it will to a great extent put upon the right shoulders the leaden weight of milliards of which the former Secretary of State for the Treasury spoke at a time when the weight was not nearly so oppressive.

The delusion that it will be possible to exact even this modest sum—or anything at all, for that matter—from the enemy is apt to prove disastrous for Germany, if, as the "Gazette" states, she is relying on it to prevent a period of depression. Undeluded war finance, as in England, where it is clearly understood that the war bill cannot be shifted to other shoulders, is much the safer.

Money and Credit

The money market yesterday was quieter. Rates as a rule remained unaltered. Loans based on industrial securities as collateral continue in favor with borrowers in the time market. Banks were willing to extend accommodation yesterday for four, five and six months at 4 to 4½ per cent, according to the character of the collateral. Money can be borrowed on a mixture of railway and industrial securities at 3¾ to 4 per cent, depending on the date of maturity.

No signs appear of any diminution in the supply of call money. Yesterday the ruling rate was 2¾ per cent, compared with 2 the day before. The call money crowd was less active.

Ruling rates on money yesterday, compared with a year ago, were as follows:

	Yesterday.	Year ago.
Call money	2 %	2 %
Time money (mixed collateral):		
60 days	3½@3¾%	2 @2¾%
90 days	3½@3¾%	2¾@3 %
4 months	3¾@4 %	3 %
5 to 6 mos.	4 %	3 %

Commercial Paper.—The market for commercial paper continues dull. Comparatively small amounts of paper are moving. The ruling rate is 4 to 4¼ per cent.

Official rates of discount of each of the twelve Federal districts are as follows:

	Days— 15 or less	Over 15 up to 30	Over 30 up to 60	Over 60 up to 90
Boston	3½	4	4	4
New York	3½	4	4	4
Philadelphia	3½	4	4	4
Cleveland	3½	4	4½	4½
Richmond	4	4	4	4
Atlanta	4	4	4	4
Chicago	3½	4	4	4½
St. Louis	3	4	4	4
Minneapolis	4	4	4	4½
Kansas City	4	4	4½	4½
Dallas	4	4	4	4½
San Francisco	3½	4	4½	4½

Bank Clearings.—This day's clearings at New York and other cities:

	Exchanges.	Balances.
New York	$611,941,531	$29,156,903
Baltimore	6,240,550	861,626
Boston	34,184,846	4,588,604
Chicago	73,257,102	4,312,443
Philadelphia	58,808,502	5,600,516
St. Louis	22,068,970	4,725,734

Sub-Treasury.—New York banks lost to Sub-Treasury $166,000.

Silver.—Bars in London, 35⅞ pence; New York, 72¾ cents; Mexican dollars, 55¾ cents.

Gold Currents.—Gold coin to the amount of $800,000 was withdrawn from the Sub-Treasury for shipment to Cuba.

Bank of England.—The Bank of England reports an increase for the week in gold coin and bullion holdings of £177,449. Proportion of reserve to liabilities is now 18 per cent, against 16.62 per cent last week, 14.62 per cent March 8, and 15.82 per cent March 1. Details of changes compared with the present week are as follows:

Gold	Inc.	£177,449
Total reserve	Inc.	427,000
Notes reserved	Inc.	331,000
Notes in circulation	Dec.	249,000
Public deposits	Dec.	18,466,000
Other deposits	Inc.	5,221,000
Gov. securities	Inc.	30,000
Other securities	Dec.	13,603,000

The detailed statement compares as follows with the same week a year ago:

	1917.	1916.
Gold	£53,693,037	£55,970,306
Reserve	38,028,000	41,516,411
Notes reserve	32,695,725	40,637,940
Circulation	37,821,535	32,903,895
Public dep	69,891,359	56,216,377
Other dep	124,335,000	90,125,709
Gov. sec	24,050,208	15,838,646
Other sec	151,821,194	90,273,910

Bank of France.—The Bank of France, in its weekly statement, reports the following changes for the week in francs:

Gold holdings	Inc.	16,434,000
Silver holdings	Dec.	1,446,000
Notes in circulation	Inc.	89,231,000
General deposits	Inc.	40,748,000
Bills discounted	Dec.	67,867,000
Treasury deposits	Dec.	37,329,000
Advances	Dec.	13,657,000

The Dollar in Foreign Exchange

Exchange rates fluctuated within narrow limits in a dull market yesterday. About the only change of importance was a fresh decline in the rate on Italy, lire going to 7.80 to the dollar, compared with 7.74 the day before. Russian rubles held firm at 28.65 cents, while demand sterling ruled a shade higher at $4.75⅝.

Closing rates yesterday, compared with a week ago, were as follows:

	Yesterday.	Week ago.
(Quoted dollars to the pound.)		
Sterling, demand	$4.75⅝	$4.75 7-16
Sterling, sixty days	4.71⅞	4.71½
Sterling, cables	4.76 7-16	4.76 7-16
Sterling, ninety days	4.69⅞	4.69¼
(Quoted units to the dollar.)		
Francs, demand	5.84½	5.85
Francs, cables	5.83⅝	5.83¾
Lire, checks	7.80	7.67
Lire, cables	7.79	7.66
Swiss, checks	5.04	5.04
Swiss, cables	5.03	5.02¾
(Quoted cents per 4 marks.)		
Reichsmarks, checks	69	68¾
Reichsmarks, cables	69⅛	68⅞
(Quoted cents to the unit.)		
Guilders, checks	40¾	40⅝
Guilders, cables	40⅞	40¾
Rubles, cables	28.65	28.15
Austrian, kronen, ch'ks	11.27	11.20
Stockhold, kr., ch'ks	29.70	29.55
Copenhagen, kr., ch'ks	28.90	28.55
Pesetas, checks	21.30	21.15

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling	$4.75½	$4.86⅝
France	0.17.1	0.19.3
Guilders	0.40.4	0.40.2
Marks	0.17.2	0.23.8
Rubles	0.28.60	0.51.2
Lire, checks	0.12.9	0.19.3
Crowns (Denmark)	0.28.90	0.26.8
Crowns (Sweden)	0.29.60	0.26.8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling for $4.75⅝; the intrinsic parity is $4.86⅝ per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

Russian Exchange Improves in Denmark.—Copenhagen, March 21 (via London, 3:39 a. m.)—There has been a steady rise in the ruble on the exchange market, indicating the confidence with which the market regards the future of Russia.

Relevant Facts

Lee Rubber and Tire.—The retiring board of directors was reëlected at yesterday's annual meeting. John J. Watson, jr., vice-president of the company, presiding, said in answer to an inquiry by a stockholder that the present output of the company was running at the rate of 30,000 tires per month. This would mean an annual output of between 350,000 and 400,000 tires in the current year, compared with 225,000 in 1916. In answer to further inquiries, Mr. Watson told the stockholders that he felt the policy of the board of directors should be to accumulate a substantial surplus account before resuming the payment of dividends.

Sloss-Sheffield Steel and Iron.—The company reports for the quarter ended February 28 last net operating profits amounting to 734,498. Surplus, after deducting $52,500 bond interest, $24,000 accrued taxes and $117,250 preferred dividend, amounts to $540,748, equivalent to $5.40 a share on the common stock for the quarter. The company has temporarily withdrawn from the market as a seller of pig iron.

Kennecott Copper Note Issue.—In connection with the purchase of an additional 200,000 shares of Utah Copper stock, the Kennecott Copper Corporation has sold to J. P. Morgan & Co. $16,000,000 two-year 6 per cent notes, $4,000,000 maturing each six months during the life of the loan. The remaining $4,000,000 that was paid for the stock was provided from the Kennecott company's surplus earnings.

Distillers' Securities.—Directors yesterday declared an annual dividend of 2 per cent, compared with the 6 per cent rate that has been paid since May 17, 1916. No previous dividends had been paid since October 31, 1912. It was announced that "if conditions warrant," extra dividends will be declared from time to time. A statement was issued by the board to the effect that it would be the policy of the management to continue to purchase from time to time the outstanding bonds of the company to the extent which the net earnings and the surplus of the company will justify.

Gaston, Williams & Wigmore, Inc.—This company has been appointed the commercial representative in this country for the council of the All Metal Working Industries of Russia, which represents a union of the metal industries in Russia. The purchases to be made here will consist of machinery and equipment for the factories of the various members of the council, and other materials.

Union Bag and Paper Earns $16 a Share

Remarkable Prosperity Followed Reorganization of Company Last Year

Owing to the big rise in the price of paper last year the recently reorganized Union Bag and Paper Company was able to make profits almost as remarkable as those of some of the war order companies. In the year ended January 31 last total net earnings were $2,832,277, nearly eight times as much as in the preceding year, when $363,909 was earned.

The annual report, which was issued yesterday, shows a balance available for dividends of $1,582,792, equal to $16.89 a share on the capital stock, after deducting $821,763 for reduction of property account. This compares with a deficit of $84,480 in 1916 and a balance of $365,912 in 1915, in neither of which years was there any deduction for property account.

M. B. Wallace, president, says the year was the most prosperous period in the company's history, and reflects the unusual business conditions prevailing generally throughout the country. The company is fortunate, he says, in controlling a large part of its raw material requirements, which fact, together with the economies and improvements made during the last few years, has contributed materially to profits.

Practically all the improvements planned have been completed during the year, and the amount of money expended in additions and improvements was $401,114. On account of the unusual conditions in the paper industry and the fact that the company was such a large purchaser of paper outside of its own manufacture, it became necessary during the year, in order to insure its requirements, to acquire new properties, for which $766,190 was expended. Bonds amounting to $1,000,000 were assumed in the purchase of the Cheboygan Paper Company.

The St. Maurice Paper Company, Ltd., three-quarters of the stock of which is owned by Union Bag & Paper, earned in its fiscal year ended December 31 last from its pulp and lumber operations $306,767. No part of these profits were included in the Union Bag & Paper income account.

During the year the company's capitalization was reduced from $27,000,000 to $10,000,000.

Corporation Returns

Canadian General Electric.—Annual report for the year ended December 31, 1916, compares as follows:

	1916.	1915.
Profits	$2,225,912	$1,219,513
Net profits	1,185,421	764,379
Dividends	779,844	698,022
Surplus	405,577	66,357
Previous surplus	707,119	940,762
Reserve	500,000	300,000
Balance	612,696	707,119

Northern States Power.—Report for the year ended December 31, 1916, shows surplus earnings of $1,008,292, equal to $16.87 a share on the common stock, compared with $12.91 in 1915. The report compares as follows:

	1916.	1915.
Gross earnings	$6,087,153	$5,121,826
Net after taxes	3,341,656	2,866,634
Fixed charges, etc	1,593,127	1,507,939
Preferred dividend	740,236	587,069
Surplus	1,008,292	771,625

United States Public Service.—Report for the year ended December 31, 1916, compares as follows:

	1916.	1915.
Gross operating revenue	$917,482	$692,997
Net operating revenue	371,903	286,914
Total corporate income	394,224	310,990

Wisconsin Edison.—Income account for the year ended December 31, 1916, follows:

	1916.	1915.
Gross earnings	$1,430,882	$1,058,396
Div. red. or accd	1,234,837	750,160
Expenses and int	469,262	457,681
Net income	971,619	600,714
Dividends	913,750	591,250
Surplus	57,869	9,464

American Cities.—Combined earnings for the year ended December 31, 1916, compare as follows:

	1916.	1915.
Gross	$15,464,361	$14,145,442
Net	5,499,278	5,023,708
Int., bond disc't, amortization and misc	3,810,259	3,657,198
Applicable to divs	1,689,019	1,366,510

Significant Relations

Money and Prices:

	Now.	A year ago.
Stock of money gold in the country	$2,968,355,434	$2,318,973,327

	Dec. 27, 1916.	Nearest period previous year.
Loans of all national banks	$8,340,626,000	$7,233,929,000
Total reserve (i. e., cash in national bank vaults and on deposit with Federal Reserve banks)	$1,493,433,000	$1,212,960,000
Ratio of this total reserve to gross deposit liabilities of national banks	12.1%	11.9%

	Last week.	A year ago.
Discounts of Federal Reserve banks	$114,236,000	$57,700,000
Their liability for notes, net	19,444,000	10,203,000
Their gold reserve against deposits and circulation	77%	74.4%

	Yesterday.	The day before.	A year ago.
Average price of 15 railroad stocks	113.68	113.52	116.50
Average price of 12 industrial stocks	98.50	99.66	93.60

	Last week.	The week before.	A year ago.
Food cost of living (Annalist index number)	235.397	233.152	154.273

Production:

	March 1.	February 1.	A year ago.
Unfilled U. S. Steel orders, tons	11,576,697	11,474,054	8,568,966

	February.	January.	A year ago.
Pig iron (daily average), tons	94,180	101,643	106,456
Active cotton spindles	33,117,090	33,008,609	31,980,240

	The 1916 yield.	Previous year's crop.
Wheat crop, bushels	639,886,000	1,012,000,000
Corn crop, bushels	2,593,241,000	3,055,000,000
Cotton crop, bales (exc. linters)	11,356,944	11,068,173

Distribution:

	February 1.	January 1.	A year ago.
Net shortage of freight cars	109,770	62,247	—
Net surplus of freight cars	—	—	20,299

	Increase or decrease from last year: First week of March. (23 roads).	Month of January. (181 roads).	July 1 to Dec. 30. (179 roads).
Gross railroad earnings	+2.8%	+15.3%	+12.6%

	Increase or decrease from last year: Last week.	The week before.	Year to date.
Bank clearings	+1.7%	+15.8%	+17.7%

	February.	January.	A year ago.
Commercial failures	1,165	1,540	1,688

Lack of Funds Stops Work on Chinese Railways

$35,000,000 Needed for Construction Contemplated by American Interests

W. F. Carey, president of the Siems-Carey Railway & Canal Company, which is undertaking the construction work of some seven hundred miles of railroad lines and the improvement of the Grand Canal in China, the financing arrangements for which are in the hands of the American International Corporation, has returned to New York from Peking.

In view of the complicated international situation, it is impossible, Mr. Carey said, to state when funds will be available to begin the construction of the proposed lines. The amount needed to complete the railroad work in China immediately contemplated by the interests which Mr. Carey represents is approximately $35,000,000, or $50,000 a mile. The American International Corporation expects to float a loan in New York to cover this cost as soon as conditions will permit.

"Survey parties have now been organized," said Mr. Carey, "and three are at work on the line from Chinchou, a point on the Canton-Hankow line, and running westward for a distance of about four hundred miles. These survey parties are in charge of American engineers, George A. Kyle being chief engineer in charge of construction. A large number of young Chinese engineers, many of whom are graduates of American universities and technical schools, are employed. T. C. Sun, a graduate of Cornell University, is the director general in charge of these lines.

"The construction of the line last mentioned will probably be undertaken first. This road runs over a densely populated country, the products of which have now no outlet. This outlet will be secured by connecting up with the Peking-Hankow line, from which goods will go down to the Yang-tse River and thence to the sea."

Asked regarding coöperation with the Japanese in connection with the improvement of the Grand Canal, Mr. Carey stated an attempt had been made to clothe this with political significance because of the questions which the Japanese government had asked regarding the American contract for the work on the section in the Province of Shantung.

Mr. Carey said this was a business matter pure and simple, and he thought the simultaneous issue of securities in New York and Tokio would facilitate financing.

"In China," he added, "where a number of foreign interests have already been established, it is essential to the success of any business undertaking that friendly relations should be maintained with those interests and diplomatic controversies avoided."

News Digest

Foreign

London, March 22.—Money was as plentiful as ever to-day. The rate was 3¾ per cent. Discount rates were quiet, at 4½ per cent for short and three months' bills.

The prospective competition of the £2,000,000,000 war loan is still affecting gilt-edged securities on the Stock Exchange, and further slight recessions occurred to-day, largely through lack of support. Some good features were noticeable in other sections, particularly in diamonds and gold mines, in which the volume of supporting orders appears to be increasing. Rubber and shipping shares remained firm, but Argentine rails were easy. American securities were lower, with a few markings in the low-priced issues.

Paris Bourse.—Paris, March 22.—Trading was quiet on the Bourse to-day. Three per cent rentes, 61 francs 60 centimes for cash; exchange on London, 27 francs 82½ centimes; 5 per cent loan, 88 francs 20 centimes.

New York

Companies Which Will Supply Copper to Government.—The copper companies offering to supply the government with 45,510,000 pounds of copper at approximately 16 2-3 cents a pound, according to the list made public yesterday by Bernard M. Baruch, of the Advisory Commission of the Council of National Defence, are as follows:

Anaconda Copper Mining Company, Utah Copper Company, Phelps, Dodge & Co, Inspiration Consolidated Copper Company, Kennecott Copper Corporation, Chino Copper Company, Greene-Cananea Copper Company, Cerro de Pasco Copper Corporation, Braden Copper Company, Ray Consolidated Copper Company, North Butte Copper Company, Quincy Mining Company, Wolverine Copper Mining Company, Mohawk Mining Company, Utah Consolidated Mining Company and the Hancock Consolidated Mining Company.

New Stock Exchange Members.—Edward R. Whitehead and Henry B. Britton have been elected members of the Stock Exchange.

American Shoes for Russia

American shoes, according to commercial reports, are finding an increasing sale in Russia through the efforts of various municipalities to introduce them to the public. The City Council of Petrograd is reported to have decided on placing an order with American manufacturers for 400,000 pairs of shoes, with a view to selling them to retailers in that city. In Moscow, where American-made footwear was put on sale last autumn, the impression made is said to be favorable.

DIVIDEND NOTICES

INSPIRATION CONSOLIDATED COPPER CO.

[illegible]

AMERICAN LOCOMOTIVE COMPANY

30 Church St., New York, March [illegible], 1917. [illegible] W. SPENCER ROBERTSON, Secretary.

OFFICE OF Virginia-Carolina Chemical Co.

Richmond, Va., March 22, 1917. DIVIDEND NO. [illegible] The Board of Directors of the Virginia-Carolina Chemical Company have this day declared [illegible] April 16, 1917, to stockholders of record [illegible] Transfer books will not be closed. S. W. TRAVERS, Treasurer.

OFFICE OF Virginia-Carolina Chemical Co.

Richmond, Va., March 22, 1917. The Board of Directors of the Virginia-Carolina Chemical Company have this day declared a dividend of [illegible] May 1, 1917, to stockholders of record [illegible] The transfer books will not be closed. S. W. TRAVERS, Treasurer.

THE SEABOARD NATIONAL BANK

New York, March [illegible] The Board of Directors of [illegible] W. K. CLEVERLEY, [illegible]